

In the Supreme Court of the State of California

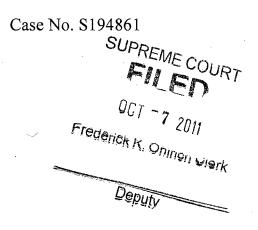
CALIFORNIA REDEVELOPMENT ASSOCIATION, LEAGUE OF CALIFORNIA CITIES, CITY OF UNION CITY, CITY OF SAN JOSE, and JOHN F. SHIREY,

Petitioners,

V.

ANA MATOSANTOS, in her official capacity as Director of Finance, JOHN CHIANG, in his official capacity as the Controller of the State of California, PATRICK O'CONNELL, in his official capacity as the Auditor-Controller of the County of Alameda and as a representative of the class of county auditor-controllers,

Respondents.



REPLY OF RESPONDENT ANA MATOSANTOS TO BRIEFS OF AMICI CURIAE

KAMALA D. HARRIS Attorney General of California MANUEL M. MEDEIROS State Solicitor General Douglas J. Woods Senior Assistant Attorney General PETER A. KRAUSE Supervising Deputy Attorney General SETH E. GOLDSTEIN Deputy Attorney General Ross C. Moody Deputy Attorney General State Bar No. 142541 455 Golden Gate Avenue, Suite 11000 San Francisco, CA 94102-7004 Telephone: (415) 703-1376 Fax: (415) 703-1234 Email: Ross.Moody@doj.ca.gov Attorneys for Respondents Ana Matosantos, Director of the California

Department of Finance, and State

Controller John Chiang

TABLE OF CONTENTS

		Page
Introduct	ion	1
Argumen	ıt	1
	A.	The challenged acts do not violate Article XVI of the Constitution
	В.	ABX1 26 and ABX1 27 do not violate Proposition 22
	C.	The Court should not entertain the arguments of the City of Cerritos as an amicus
Conclusio	on	8

TABLE OF AUTHORITIES

Page

CASES Arcadia Redevelopment Agency v. Ikemoto Community Redevelopment Agency of City of Los Angeles v. County of Los Angeles (2001) 89 Cal.App.4th 719......3, 4, 5 Emeryville Redevelopment Agency v. Harcros Pigments, Inc. (2002) 101 Cal.App.4th 1083......4 Marek v. Napa Community Redevelopment Agency Methodist Hosp. of Sacramento v. Saylor (1971) 5 Cal.3d 685......2 Redevelopment Agency of the City of San Bernardino v. County of San Bernardino St. John's Well Child and Family Center v. Schwarzenegger Yes on 25, Citizens For An On-Time Budget v. Superior Court STATUTES Health & Safety Code § 33333.65 § 33334.65 § 33607.5 5 CONSTITUTIONAL PROVISIONS California Constitution Article XVI, § 16 passim

INTRODUCTION

Sixteen amicus briefs have been submitted to the Court in this case, nine supporting petitioners and seven supporting respondents. These briefs have been filed by a variety of entities concerned with redevelopment in California, including cities and counties, redevelopment agencies, school districts, education stakeholders, affordable housing advocates, academics, and firefighters. Many of the briefs question the policy judgments behind altering or eliminating California's Community Redevelopment Law and the perceived positive or negative consequences of redevelopment in our state. To the extent these briefs spotlight issues of policy rather than issues of law, respondent submits that no reply is necessary. The Legislature is the proper venue for policy debates, not this Court. Moreover, policy judgments about what to cut and what to fund in the state budget were publicly aired prior to the passage of the Budget Act and its implementing bills.

In addition, many of the arguments advanced by amici are adequately addressed in the parties' briefs. Respondent will accordingly address only the arguments advanced by amici which require additional briefing or discussion.

ARGUMENT

A. The Challenged Acts Do Not Violate Article XVI of the Constitution.

Two amici have argued that ABX1 26 and ABX1 27 violate article XVI, section 16 of the California Constitution, relying primarily on *Marek*

¹ The arguments advanced in this brief are made on behalf of respondent Ana Matosantos, director of the Department of Finance. Respondent John Chiang takes no position on the merits of this case.

v. Napa Community Redevelopment Agency (1988) 46 Cal.3d 1070.² (See Amicus Brief of Association of Bay Area Governments, et al. ("ABAG"), pp. 6-19; Amicus Brief of Public Interest Law Project, et al. ("PILP"), pp. 17-19, 23-28.) Amici misinterpret both article XVI and *Marek*.

Section 16 does not enshrine redevelopment agencies ("RDAs") in the Constitution or otherwise guarantee them a permanent existence. As discussed in earlier briefing,³ the ballot arguments in support of the precursor to article XVI make clear that the measure was simply an enabling act that gave the Legislature the power to create a tax allocation procedure under which the local taxing agency would receive the portion of property taxes attributable to the value of the redevelopment property at the start of the redevelopment plan, and the RDA would receive the portion of property taxes attributable to the increased value of the property (i.e., the tax increment). Section 16 does not, however, require the Legislature to implement this tax increment procedure. It simply recognizes that the Legislature may do so. (Cal. Const., art. XVI, § 16 ["The Legislature may provide that any redevelopment plan may contain a provision that the taxes, if any, so levied upon the taxable property in a redevelopment project each year . . . be divided" in this manner, emphasis added.) Accordingly, nothing in the text of section 16 presumes the continued existence of RDAs. Absent such a guarantee, nothing prohibits the Legislature from dissolving RDAs. (See Methodist Hosp. of Sacramento v. Saylor (1971) 5 Cal.3d 685, 691 [the Legislature "may exercise any and all legislative

² Petitioners make a similar argument for the first time in their reply brief. (Reply Memorandum In Support of Writ Petition, pp. 15-24.)

³ See Amicus Brief of California Teachers Association, pp. 16-18; Amicus Brief of California Professional Firefighters, pp. 4-5.

powers which are not expressly . . . denied to it by the [California] Constitution"].)

Most importantly, nothing in section 16 reduces the power of the Legislature to amend the Community Redevelopment Law. In fact, the measure makes express reference to future amendments to the law. (Cal. Const., art. XVI, § 16 [referring to "property in a redevelopment project established under the Community Redevelopment Law as now existing or hereafter amended"], emphasis added.) Significantly, the courts in both Community Redevelopment Agency of City of Los Angeles v. County of Los Angeles (2001) 89 Cal.App.4th 719, 729-730 and Arcadia Redevelopment Agency v. Ikemoto (1993) 16 Cal.App.4th 444, 452 recognized that section 16 gave the Legislature the authority to amend the redevelopment statutes to alter taxation practices with respect to RDAs.

In Arcadia Redevelopment Agency, supra, several redevelopment agencies challenged a statute which required them to pay a portion of tax increment revenue to compensate local taxing entities for the administrative costs incurred in collecting property taxes on redevelopment property. The agencies claimed that under section 16, they were entitled to all tax increment revenue. (*Id.* at p. 449.) The Court of Appeal rejected these arguments after carefully examining section 16, noting that "[t]he penultimate paragraph of section 16 confirms that the language in the second paragraph is permissive. . . . 'This section shall not affect any other law or laws relating to the same or a similar subject but is intended to authorize an alternative method of procedure governing the subject to which it refers." (Ibid., emphasis in original, quoting Cal. Const., art. XVI, § 16.) The court also examined the final sentence in section 16, which states: "The Legislature shall enact those laws as may be necessary to enforce the provisions of this section." (Id., quoting Cal. Const., art. XVI, § 16.) After carefully examining all of these provisions, the court

concluded, "[s]ection 16 therefore does not prevent the Legislature from altering the levying and collection of taxation on redevelopment project property." (*Arcadia Redevelopment Agency v. Ikemoto, supra*, 16 Cal.App.4th. at p. 452.)

In Community Redevelopment Agency of City of Los Angeles v.

County of Los Angeles, supra, an RDA challenged a statute that allowed the county auditor to withhold administrative costs from the redevelopment agency. The RDA claimed that this was a reallocation of revenues prohibited by section 16. (Id. at p. 729.) Relying on Arcadia

Redvelopment Agency, the court denied the RDA's claim, stating that "[w]hether a redevelopment agency's tax revenues are reduced by a proper alteration of the levy and collection of taxes or by a charge for administrative costs, the principle is the same. The Legislature is so empowered as long as it acts with an even hand." (Id. at p. 729-730.)

Marek is not to the contrary. Marek involved a dispute between a county auditor and a redevelopment agency after the auditor refused to recognize the RDA's executory contractual obligations as indebtedness. (Marek, supra, 46 Cal.3d at pp. 1077-1078.) This Court disagreed, concluding that indebtedness includes redevelopment agencies' executory financial obligations under redevelopment contracts. (Id. at. p. 1087.) The holding of this case illustrates the limitations on a county auditor's power to withhold tax increment from an RDA. But the Court in Marek did not hold that section 16 limits the Legislature's power to alter redevelopment law, nor did it hold that section 16 entitles RDAs to continue to operate indefinitely. "Cases are not authority for propositions not considered." (Emeryville Redevelopment Agency v. Harcros Pigments, Inc. (2002) 101 Cal.App.4th 1083, 1102 [citation omitted].)

Similarly, amicus Association of Bay Area Governments relies on Redevelopment Agency of the City of San Bernardino v. County of San

Bernardino (1978) 21 Cal.3d 255 to support its argument that article XVI, section 16 prohibits dissolution of RDAs through ABX1 26. (Amicus Brief of ABAG, pp. 11-12.) But like *Marek*, this case involved a dispute between an auditor and a redevelopment agency, this time over the treatment of property that became publicly owned. (*Redevelopment Agency of the City of San Bernardino*, *supra*, 21 Cal.3d at p. 257.) The Court properly resolved the question of who should bear the loss in revenue but did not, and could not, consider larger issues such as what limits section 16, placed on the Legislature.

Perhaps recognizing that RDAs are creatures of statute, amicus PILP argues that even if the Legislature could eliminate RDAs, section 16 guarantees the flow of tax increment revenue to redevelopment plans. (See Amicus Brief of PILP, pp. 17, 24.) But if this novel theory was true, it would call into question many changes already undertaken by the Legislature. For example, the theory does not explain how the Legislature could subsequently alter the Community Redevelopment Law to provide for new RDA payments to county auditors (see Community Redevelopment Agency of City of Los Angeles v. County of Los Angeles, supra, and Arcadia Redevelopment Agency v. Ikemoto, supra), or provide for new pass-through payments to local entities impacted by RDA activity (see Health & Saf. Code, § 33607.5), or retroactively impose new affordable housing obligations on RDAs. (See Health & Saf. Code, § 33334.6.) All of these actions inevitably impact redevelopment plans, but remain permissible under section 16. Moreover, Health & Safety Code section 33333.6 retroactively limited the duration of redevelopment plans while requiring them to continue paying previously incurred indebtedness in a manner very similar to ABX1 26. This statute has gone unchallenged for more than a decade.

Finally, amicus Association of Bay Area Governments argues that section 16 "ensures a stream of revenue that will accumulate in the agency's special fund for repayment of an agency's total existing indebtedness." (Amicus Brief of ABAG, p. 13.) But this ignores the permissive provisions in section 16, as well as the ability of the Legislature to amend the Community Redevelopment Law. ABX1 26 provides for the orderly wind-down of RDA affairs and the preservation of RDA assets to ensure that the bond obligations and legitimate debts of the RDA can be paid. (Health & Saf. Code, §§ 34162, 34183, subd. (a); see also Respondent Matosantos' Return at pp. 25-26.) Successor agencies established under ABX1 26 will continue to receive property tax revenue until all recognized RDA indebtedness is repaid. Accordingly, ABX1 26 does not violate article XVI, section 16 or this Court's decision in *Marek*.

B. ABX1 26 and ABX1 27 Do Not Violate Proposition 22.

Several amici contend that Proposition 22 protects the existence of RDAs, and that their dissolution by ABX1 26 violates the initiative. For example, the City of Irvine argues that the "clear language" of Proposition 22 "demonstrates that voters were attempting to protect redevelopment" from the Legislature. (Amicus Brief of City of Irvine, p. 24.) According to Irvine it requires "tortured arguments of legalese and statutory maxims" to demonstrate that Proposition 22 did not disable the Legislature's power to dissolve the RDA program. (*Id.*, p. 26.) Although couched in slightly different terms, these arguments largely mirror those made by petitioners, and fail for the same reasons.

Proposition 22's narrow scope is apparent from its text, which prohibited legislative tampering with the stream of income flowing into and out of RDAs, but did not guarantee their continued existence. Of particular note here, the Legislature and the voters were told that Proposition 22 was

limited in scope by the stakeholders who put it on the ballot. It is well established that the views of a proposition's proponents can be considered when construing the legal meaning of the proposition. (Yes on 25, Citizens For An On-Time Budget v. Superior Court (2010) 189 Cal.App.4th 1445, 1456.) As amici California Teachers Association and California Professional Firefighters point out, the proponents of Proposition 22 assured the Legislature and advised the public before the vote on the proposition that the Legislature's power to regulate RDAs would not be diminished by Proposition 22.

For instance, Chris McKenzie, the Executive Director of the California League of Cities, one of the petitioners here, testified at a Senate hearing that Proposition 22 made "a slight restriction in the Legislature's power to change the pass-through requirements" but "everything else that is your authority under the Redevelopment Act, which article 16 gave you . . . is unaffected by this." (Amicus Brief of California Teachers Association , pp. 23-24.) Later at the same hearing, petitioner John Shirey, Executive Director of the California Redevelopment Association, told the senators that Proposition 22 "doesn't do anything to change your ability to change the law governing redevelopment agencies in California." (Amicus Brief of California Professional Firefighters, p. 12.)

Thus, prior to its passage, the key proponents of Proposition 22 (and three of the petitioners in this case) publicly declared that the proposition did not radically alter the Legislature's power to change the RDA scheme. After the passage of ABX1 26 and 27, these proponents radically reversed course on the scope of Proposition 22. The Court should consider the statements the proponents made prior to the election, rather than the contrary position they now take in this case. (*St. John's Well Child and Family Center v. Schwarzenegger* (2010) 50 Cal.4th 960, 982 [opinions

offered prior to passage of legislation relevant to legislative intent, while opinions offered in anticipation of litigation are not].)

C. The Court Should Not Entertain the Arguments of the City of Cerritos as an Amicus.

The City of Cerritos and a "coalition of cities, redevelopment agencies and private parties supporting redevelopment" offers an amicus brief which attempts to dramatically expand the scope of the issues before the Court by offering six additional constitutional challenges to ABX1 26 and 27 not framed by the pleadings of the parties. In addition, the City of Cerritos and its fellow amici have filed a writ action in Sacramento Superior Court raising the same issues presented in their amicus brief. (See Amicus Brief of The City of Cerritos, et al., n.1 [acknowledging that amici have "filed a lawsuit in Sacramento County Superior Court" raising the same issues presented in the amicus brief].)

This Court should decline to consider the six new constitutional challenges to ABX1 26 and 27 that the City of Cerritos has raised in its amicus brief. The briefing and argument schedule in this case has already been shortened to permit a decision to be rendered by January 15, 2012. Answers to amici were requested to be prepared and filed in only one week. If the Court wishes to consider these new arguments in this action, respondent respectfully requests that the Court set a supplemental briefing schedule to allow the parties time to analyze and respond to them. Although respondent believes that the new arguments will not be successful, entertaining them in the context of amicus briefing would be unwise and unwarranted.

CONCLUSION

For the reasons advanced in respondent's return, the petition should be denied on the merits.

Dated: October 7, 2011

Respectfully submitted,

KAMALA D. HARRIS
Attorney General of California
MANUEL M. MEDEIROS
State Solicitor General
DOUGLAS J. WOODS
Senior Assistant Attorney General
PETER A. KRAUSE
Supervising Deputy Attorney General
SETH E. GOLDSTEIN

Deputy Attorney General

nc.ny

Ross C. Moody

Deputy Attorney General
Attorneys for Respondents Ana
Matosantos, Director of the California
Department of Finance, and State
Controller John Chiang

SA2011101911 20535964.doc

CERTIFICATE OF COMPLIANCE

I certify that the attached REPLY OF RESPONDENT ANA MATOSANTOS TO BRIEFS OF AMICI CURIAE uses a 13 point

Times New Roman font and contains 2,345 words.

Dated: October 7, 2011

KAMALA D. HARRIS Attorney General of California

Ross C. Moody

Deputy Attorney General Attorneys for Respondent Department of Finance

DECLARATION OF SERVICE BY U.S. MAIL

Case Name: California Redevelopment Association, et al. v. Matosantos, et al.

No.: **S194861**

I declare:

I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for mailing with the United States Postal Service. In accordance with that practice, correspondence placed in the internal mail collection system at the Office of the Attorney General is deposited with the United States Postal Service with postage thereon fully prepaid that same day in the ordinary course of business.

On October 7, 2011, I served the attached REPLY OF RESPONDENT ANA MATOSANTOS TO BRIEFS OF AMICI CURIAE by placing a true copy thereof enclosed in a sealed envelope in the internal mail collection system at the Office of the Attorney General at 455 Golden Gate Avenue, Suite 11000, San Francisco, CA 94102-7004, addressed as follows:

PLEASE SEE ATTACHED SERVICE LIST

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on October 7, 2011, at San Francisco, California.

Gloria D. Briones

Declarant

Signature

SA2011101911 20536068.doc

SERVICE LIST

Case Name: California Redevelopment Association, et al. v. Matosantos, et al.

No.: **S194861**

Steven L. Mayer Howard, Rice, Nemerovski, Canady, Falk & Rabkin Three Embarcadero Center, 7th Floor San Francisco, CA 94111-4024 (Attorneys for Petitioners)	Jennifer Rockwell Chief Counsel Department of Finance 915 "L" Street Sacramento, CA 95814
Claude Kolm Deputy County Counsel Alameda County Counsel's Office 1221 Oak Street, Room 450 Oakland, CA 94612-4296	Brian E. Washington Alameda County Counsel's Office 1221 Oak Street, Room 450 Oakland, CA 94612-4296
Richard J. Chivaro Chief Counsel State Controller's Office P.O. Box 942850 Sacramento, CA 94250	Lizanne Reynolds Deputy County Counsel Santa Clara County Counsel's Office 70 West Hedding Street, 9th Floor East Wing San Jose, CA 95125
Murray O. Kane Susan Young Cola Donald Paul Johnson Kane, Ballmer & Berkman 515 S. Figueroa Street, Suite 1850 Los Angeles, CA 90071 (Attorneys for Community Redevelopment Agency of the City of Los Angeles, Southern California Association of Non-Profit Hosing and Betty Yee: Amicus curiae)	Kelly McKee Martin General Counsel and Senior Assistant City Attorney Office of the City Attorney 1200 West 7th Street Suite 200 Los Angeles, CA (Attorneys for Community Redevelopment Agency of the City of Los Angeles: Amicus curiae)

Michelle D. Blakemore
Office of County Counsel
385 N Arrowhead Avenue, 4th floor
San Bernardino, CA 92415-0140

Thomas W. Hiltachk Bell McAndrews & Hiltachk, LLP 455 Capitol Mall, Suite 600 Sacramento, CA 95814

(Attorneys for County of San Bernardino: Amicus curiae)

(Attorneys for California Professional Firefighters: Amicus curiae)

Jeffrey M. Oderman
Dan Slater
Mark Jason Austin
William Heath Ihrke
Magan K. Garibaldi
Rutan & Tucker, LLP
611 Anton Boulevard, Suite 1400
Costa Mesa, CA 92626-1931

Sayre Weaver Richards, Watson & Gershon 355 South Grand Ave., 40th Floor Los Angeles, CA 90071-3101

(Attorneys for Coalition of Cities: City of Cerritos, Cerritos Redevelopment Agency, City of Carson, Carson Redevelopment Agency, City of Commerce, Commerce Community Development Commission, City of Cypress, Cypress Redevelopment Agency, City of Downey, Community Development Commission of the City of Downey, City of Lakewood, Lakewood Redevelopment Agency, City of Paramount, Paramount Redevelopment Agency, City of Placentia, Redevelopment Agency of the City of Placentia, City of Santa Fe Springs, Community Development Commission of the City of Santa Fe Springs, City of Signal Hill, Signal Hill Redevelopment Agency, Cuesta Villas Housing Corporation, and Bruce W. Barrows: Amicus curiae)

(Attorneys for the City of Artesia and the Artesia Redevelopment Agency, the Brea Redevelopment Agency, the City of Buena Park Community Redevelopment Agency, the City of Calimesa and the Calimesa Redevelopment Agency, the Fairfield Redevelopment Agency, the City of Hawthorne and the Hawthorne Community Redevelopment Agency, the La Mirada Redevelopment Agency, the Manteca Redevelopment Agency, the City of Monterey, the Palm Desert Redevelopment Agency, the Rancho Cucamonga Redevelopment Agency, the Rancho Palos Verdes Redevelopment Agency, the City of Seal Beach, and the Seal Beach Redevelopment Agency, the Temecula Redevelopment Agency, the Turlock Redevelopment Agency, and the Whittier Redevelopment Agency: Amicus curiae)

Karen A. Getman Attorney at Law 201 Dolores Avenue San Leandro, CA 94577 Catherine A. Rodman Affordable Housing Advocates 435 University Avenue, Suite 110 San Diego, CA 92101

(Attorneys for California Teachers Association: Amicus curiae) (Attorneys for Affordable Housing Advocates: Amicus curiae)

Anita C. Willis
Deputy County Counsel
County of Riverside, Office of County Counsel
3960 Orange Street, Suite 500
Riverside, CA 92501-3674

(Attorneys for County of Riverside: Amicus curiae)

William M. Marticorena
Philip D. Kohn
Jeffrey Thomas Melching
William Heath Ihrke
Jennifer J. Farrell
Rutan & Tucker, LLP
611 Anton Boulevard, Suite 1400
Costa Mesa, CA 92626-1931

(Attorneys for City of Irvine: Amicus curiae)

Michael Rawson Deborah Ann Collins Craig David Castellanet Ronald Chang Public Interest Law Project 449 15th Street, Suite 301 Oakland, CA 94612

(Attorneys for Public Interest Law Project, California Rural Legal Assistance, Inc., Legal Services of Northern California, Public Counsel, Wester Center on Law & Poverty: Amicus curiae) Peter L. Wallin Wallin Kress Reisman & Kranitz, LLP 2800 28th Street, #315 Santa Monica, CA 90405

(Attorneys for Long Beach Central, West and North Project Area Committees: Amicus curiae)

Robert V. Wadden Office of the City Attorney 1031 Avenue C Redondo Beach, CA 90277

(Attorneys for Long Beach Central, West and North Project Area Committees: Amicus curiae) Miguel Marquez, County Counsel
Lori Elaine Pegg, District County Counsel
Lizanne Reynolds, Deputy County Counsel
James R. Williams, Deputy County Counsel
Office of the County Counsel,
County of Santa Clara
70 West Hedding Street, East Wing,
9th Floor
San Jose, CA 95110

(Attorneys for Santa Clara County Unified School District)

Anthony T. Caso Center for Constitutional Jurispudence c/o Chapman University School of Law 1 University Drive Orange, CA 92886 (Attorneys for Center for Constitutional Jurisprudence and California Alliance to Protect Private Property Rights: Amicus curiae)	M. Lois Bobak Thomas F. Nixon Woodruff Spradlin & Smart, APC 555 Anton Boulevard, Suite 1200 Costa Mesa, CA 92626-7670 (Attorneys for Association of California Cities – Orange County: Amicus curiae)
Christopher A. Sutton Law Offices of Christopher Sutton 586 La Loma Road Pasadena, CA 91105-2443 (Attorneys for Municipal Officials for Redevelopment Reform, Chris Norby: Amicus curiae)	Gregory Garnsey Luke Strumwasser & Woocher, LLP 10940 Wilshire Boulevard Suite 2000 Los Angeles, CA 90024 (Attorneys for Los Angeles Unified School District: Amicus curiae)
David Holmquist John F Walsh LAUSD/Ofc General Counsel 333 S Grand Ave #1600 Los Angeles, CA 90017 (Attorneys for Los Angeles Unified School District: Amicus curiae)	Abhas Hajela CA School Boards Assn. 3100 Beacon Boulevard P. O. Box 1660 West Sacramento, CA 95691-3483 (Attorneys for Los Angeles Unified School District: Amicus curiae)

t